

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Bingham Farms	County Oakland
Fiscal Year End 06/30/2006	Opinion Date 10/31/06	Date Audit Report Submitted to State December 21, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) The Rehmann Group		Telephone Number 1-248-952-5000		
Street Address 5750 New King Street, Suite 200		City Troy	State MI	Zip 48098
Authorizing CPA Signature Thomas E. Darling, CPA <small>Digitally signed by Thomas E. Darling, CPA DN: cn=Thomas E. Darling, CPA, c=US, o=Rehmann Robson, email=tdarling@rehmann.com Date: 2006.12.21 17:19:43 -05'00'</small>		Printed Name Thomas E. Darling, CPA		License Number A246550

**VILLAGE OF BINGHAM FARMS
MICHIGAN**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JUNE 30, 2006**

VILLAGE OF BINGHAM FARMS, MICHIGAN
Basic Financial Statements and Supplementary Information
For the Year Ended June 30, 2006

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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INDEPENDENT AUDITORS' REPORT

October 31, 2006

To the Village President and Council
Village of Bingham Farms
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the ***Village of Bingham Farms, Michigan***, as of and for the year ended June 30, 2006 (September 30, 2005 for the Water and Sewer proprietary fund), which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Village of Bingham Farms, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the ***Village of Bingham Farms, Michigan***, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Major Streets, and Local Streets funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006, on our consideration of the ***Village of Bingham Farms, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script, reading "Lehmann Johnson".

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

As management of the Village of Bingham Farms, we offer readers of the Village of Bingham Farms financial statements this narrative overview and analysis of the financial activities of the Village of Bingham Farms for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- **Unrestricted grants and contributions:** Village grants and contributions were down 82% compared to 2004.
- **Unrestricted investment earnings:** Investment earnings were \$90,055, a \$65,845 change from 2004.
- **Hickory Hollow re-pavement project:** Hickory Hollow, Coachlight, and Bristol turnaround paving projects were begun in fiscal year 2006. They will be completed in the coming year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Bingham Farms financial statements. The Village of Bingham Farms basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Bingham Farms finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Bingham Farms assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Bingham Farms that are principally supported by taxes and intergovernmental revenues (*governmental*

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

activities) from other functions that are to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Bingham Farms include public safety, public works, recreation and culture, and general administrative services. The business-type activities of the Village of Bingham Farms include water and wastewater services.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Bingham Farms, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Village of Bingham Farms can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Bingham Farms maintains 3 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Major Streets fund and Local Streets fund, each of which are considered to be major funds.

The Village of Bingham Farms adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-21 of this report.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Proprietary funds. The Village of Bingham Farms maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Bingham Farms uses the enterprise fund to account for its water and wastewater activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and wastewater activities, which together are considered to be a major fund of the Village of Bingham Farms. Due to the fact that Oakland County, Michigan essentially provides all the administration, maintenance activities and financial processing of this fund, the Village has elected to report this fund as of the date of Oakland County's last issued audited financial statements.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-35 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Bingham Farms, assets exceeded liabilities by \$3,990,888 at the close of the most recent fiscal year.

The Village of Bingham Farms net assets also reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding of which there was no related debt outstanding at the end of the fiscal year. The Village of Bingham Farms uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Bingham Farms investment in its capital assets is not reported net of any related debt, it should be noted that if there had been related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Since a biannual audit is performed on the Village, the following condensed financial statements are presented in comparison with the last audited period.

Village of Bingham Farms Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2004</u>	<u>2006</u>	<u>2004</u>	<u>2006</u>	<u>2004</u>
Current and other assets	\$2,548,202	\$2,443,873	\$ 87,580	\$ 60,906	\$2,635,782	\$2,504,779
Capital assets	<u>896,989</u>	<u>581,680</u>	<u>561,018</u>	<u>673,221</u>	<u>1,458,007</u>	<u>1,254,901</u>
Total assets	3,445,191	3,025,553	648,598	734,127	4,093,789	3,759,680
Current liabilities outstanding	<u>102,901</u>	<u>267,075</u>	<u>-</u>	<u>-</u>	<u>102,901</u>	<u>267,075</u>
Net assets:						
Invested in capital assets, net of related debt	896,989	581,680	561,018	673,221	1,458,007	1,254,901
Restricted	281,603	217,807	-	-	281,603	217,807
Unrestricted	<u>2,163,698</u>	<u>1,958,991</u>	<u>87,580</u>	<u>60,906</u>	<u>2,251,278</u>	<u>2,019,897</u>
Total net assets	<u>\$3,342,290</u>	<u>\$2,758,478</u>	<u>\$ 648,598</u>	<u>\$ 734,127</u>	<u>\$3,990,888</u>	<u>\$3,492,605</u>

Net assets of governmental funds at year-end have been restricted primarily by funding sources for major and local street repair, maintenance and construction. Of the net asset balance at year-end, 27% is invested in capital assets net of related debt, 8% is restricted for major and local streets and 65% is unrestricted and available for general Village operations.

Village of Bingham Farms Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2004</u>	<u>2006</u>	<u>2004</u>	<u>2006</u>	<u>2004</u>
Revenue						
Program revenue						
Charges for services	\$ 268,947	\$ 243,173	\$ 479,408	\$ 412,207	\$ 748,355	\$ 655,380
Operating grants and contributions	21,058	-	-	-	21,058	-
Capital grants and contributions	24,195	-	-	-	24,195	-
General revenue						
Property taxes	1,287,470	1,190,634	-	-	1,287,470	1,190,634
Grants and contributions not restricted to specific programs	20,433	114,755	-	-	20,433	114,755
Other	<u>227,943</u>	<u>163,541</u>	<u>7,361</u>	<u>7,177</u>	<u>235,304</u>	<u>170,718</u>
Total revenue	<u>1,850,046</u>	<u>1,712,103</u>	<u>486,769</u>	<u>419,384</u>	<u>2,336,815</u>	<u>2,131,487</u>

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Village of Bingham Farms Changes in Net Assets, cont.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2004</u>	<u>2006</u>	<u>2004</u>	<u>2006</u>	<u>2004</u>
Expenses	\$					
General government	458,160	357,219	-	-	458,160	357,219
Public safety	826,644	758,594	-	-	826,644	758,594
Public works	103,890	132,472	-	-	103,890	132,472
Recreation and culture	104,089	86,054	-	-	104,089	86,054
Parks	-	-	-	-	-	-
Sewer	-	-	-	-	-	-
Water	-	-	515,674	469,763	515,674	469,763
Total expenses	<u>1,492,783</u>	<u>1,334,339</u>	<u>515,674</u>	<u>469,763</u>	<u>2,008,457</u>	<u>1,804,102</u>
Increase (decrease) in net assets	357,263	377,764	(28,905)	(50,379)	328,358	327,385
Net assets, beginning of year	<u>2,985,027</u>	<u>2,380,714</u>	<u>677,503</u>	<u>784,506</u>	<u>3,662,530</u>	<u>3,165,220</u>
Net assets, end of year	<u>\$ 3,342,290</u>	<u>\$ 2,758,478</u>	<u>\$ 648,598</u>	<u>\$ 734,127</u>	<u>\$ 3,990,888</u>	<u>\$ 3,492,605</u>

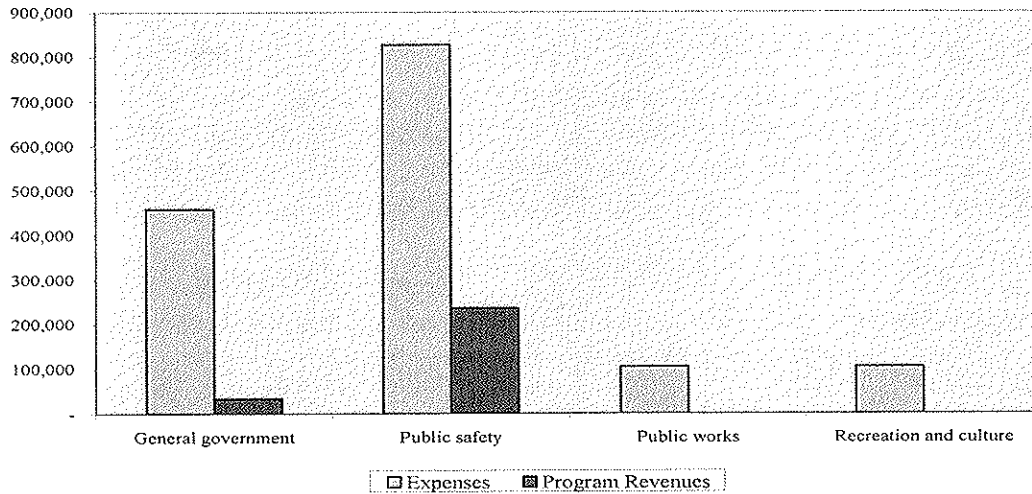
Governmental activities. Governmental activities increased the Village's net assets by \$357,263, accounting for all of the total growth in the net assets of the Village. Key elements of this increase are as follows:

- The Village had budgeted expenditures for various completed road projects related to Hickory Hollow, and Coachlight-Old Stage that were not completed during the 2006 fiscal year.
- Investment income increased by approximately 271% to \$90,055 at year end.
- The Village lowered benefits expense by approximately \$81,178. This was attributable to a decrease in health care premiums and an unexpected availability of more economical HAP/HMO coverage for small groups.

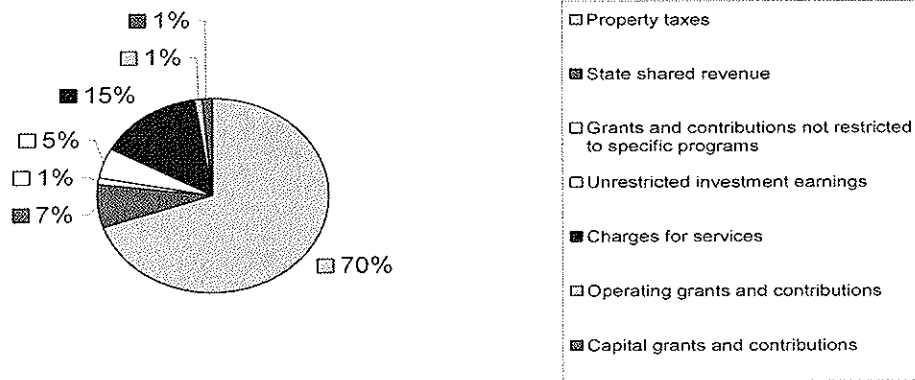
VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



VILLAGE OF BINGHAM FARMS, MICHIGAN

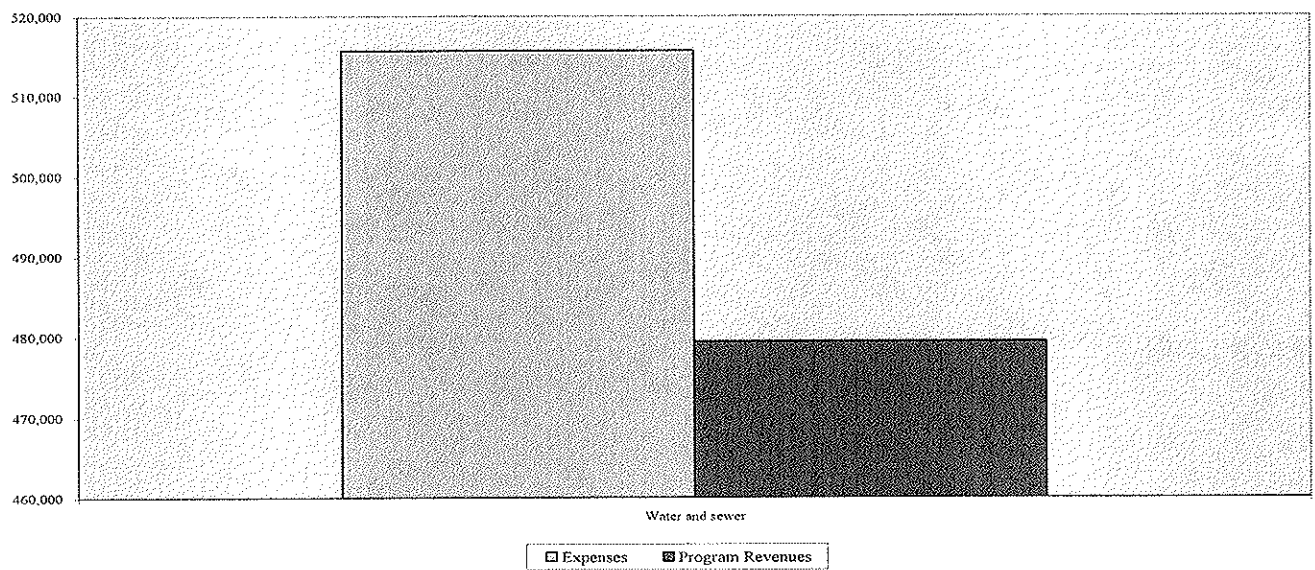
Management's Discussion and Analysis

Business-type activities. Business-type activities decreased the Village's net assets by \$28,905.

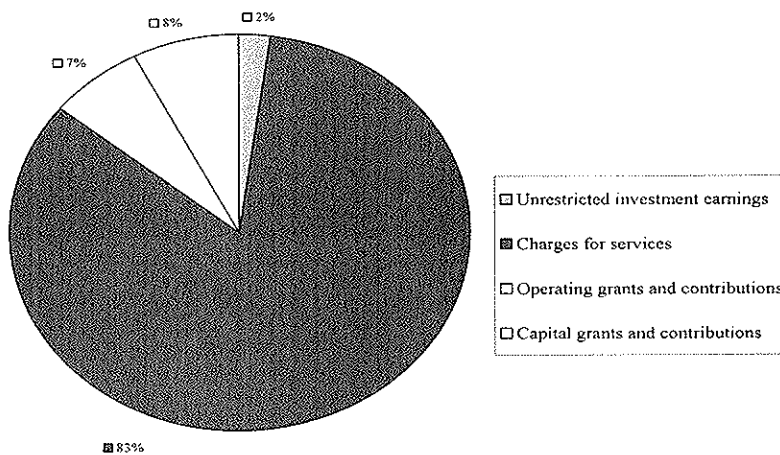
The key element of this decrease is as follows:

- Charges for Services revenue did not cover increasing expenditures by \$36,266.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the Village of Bingham Farms uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village of Bingham Farms *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Bingham Farms financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village of Bingham Farms' governmental funds reported combined ending fund balance of \$2,435,904, an increase of \$265,774 compared with 2004. This is mainly attributable to an increase in State revenue of \$23,198 and a decrease in recreation and culture expenditures of \$33,946.

The general fund is the chief operating fund of the Village of Bingham Farms. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,454,301 while total fund balance reached \$2,154,301. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 105% of total general fund expenditures, while total fund balance represents 155% of that same amount.

Proprietary funds. The Village of Bingham Farms' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Supply and Sewage Disposal fund at the end of the year amounted to \$87,580 representing a decrease in net assets for this fund was \$28,905.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to a \$7,000 increase in Library expenditures. Actual general fund revenue exceeded budgeted revenue by \$116,882. Actual expenditures to general government were less than budgeted expenditures by \$105,972.

Capital Asset and Debt Administration

Capital assets. The Village of Bingham Farms' investment in capital assets for its governmental and business type activities as of the end of the fiscal year amounts to \$1,458,007 (net of accumulated depreciation). This investment in capital assets includes equipment, roads, bridges, water supply and sewage disposal systems, and construction in progress. The total increase in the Village of Bingham Farms' investment in capital assets for the current fiscal year was approximately 16%.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Major capital asset events during the current fiscal year included the following:

- Major and local road improvements

Village of Bingham Farms Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2004</u>	<u>2006</u>	<u>2004</u>	<u>2006</u>	<u>2004</u>
Construction in progress	\$ 212,350	\$ 167,741	\$ -	\$ -	\$ 212,350	\$ 167,741
Equipment	-	2,502	-	-	-	2,502
Infrastructure	<u>684,639</u>	<u>411,437</u>	<u>561,018</u>	<u>673,221</u>	<u>1,245,657</u>	<u>1,084,658</u>
Total	<u>\$ 896,989</u>	<u>\$ 581,680</u>	<u>\$ 561,018</u>	<u>\$ 673,221</u>	<u>\$ 1,458,007</u>	<u>\$ 1,254,901</u>

Long-term debt.

During the year the Village issued no new debt and had no principal or interest payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the Village of Bingham Farms is \$24,682,460.

Economic Factors and Next Year's Budgets and Rates

- **Proposed continuation of necessary road replacement program:** Old Orchard and Bingham Lane will undergo a patching program. Hickory Hollow repairs to the unsatisfactory new asphalt road surface will be completed. A turnaround at the end of Bristol Lane will be installed, and Timber Trial drainage issues will be addressed in the 2006-2007 budget year.
- **Millage Rate will remain at 6.8 mills:** The millage rate was maintained at 6.8 mills.

Requests for Information

This financial report is designed to provide a general overview of the Village of Bingham Farms finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Karin Ludwick, Treasurer, Village of Bingham Farms, 24255 Thirteen Mile Road, Bingham Farms, Michigan 48025.

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,162,443	\$ -	\$ 1,162,443
Investments	1,287,326	-	1,287,326
Receivables (net)	40,046	-	40,046
Due from other governments	58,387	87,580	145,967
Capital assets not being depreciated	212,350	-	212,350
Capital assets being depreciated, net	684,639	561,018	1,245,657
Total assets	3,445,191	648,598	4,093,789
Liabilities			
Accounts payable	61,632	-	61,632
Other liabilities	41,269	-	41,269
Total liabilities	102,901	-	102,901
Net assets			
Invested in capital assets	896,989	561,018	1,458,007
Restricted for Highways and Streets	281,603	-	281,603
Unrestricted	2,163,698	87,580	2,251,278
Total net assets	\$ 3,342,290	\$ 648,598	\$ 3,990,888

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 458,160	\$ 33,447	\$ -	\$ -	\$ (424,713)
Public safety	826,644	235,500	-	-	(591,144)
Public works	103,890	-	21,058	24,195	(58,637)
Recreation and culture	104,089	-	-	-	(104,089)
Total governmental activities	1,492,783	268,947	21,058	24,195	(1,178,583)
Business-type activities					
Water and sewer	515,674	479,408	-	-	(36,266)
Total primary government	\$ 2,008,457	\$ 748,355	\$ 21,058	\$ 24,195	\$ (1,214,849)

continued...

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

STATEMENT OF ACTIVITIES (CONCLUDED)

Year Ended June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (1,178,583)	\$ (36,266)	\$ (1,214,849)
General revenues			
Property taxes	1,287,470	-	1,287,470
State shared revenue	137,888	-	137,888
Grants and contributions not restricted to specific programs	20,433	-	20,433
Unrestricted investment earnings	90,055	7,361	97,416
Total general revenues	1,535,846	7,361	1,543,207
Change in net assets	357,263	(28,905)	328,358
Net assets, beginning of year	2,985,027	677,503	3,662,530
Net assets, end of year	\$ 3,342,290	\$ 648,598	\$ 3,990,888

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2006

ASSETS	General	Major Streets	Local Streets	Total Governmental Funds
Cash and cash equivalents	\$ 849,543	\$ 191,420	\$ 121,480	\$ 1,162,443
Investments	1,287,326	-	-	1,287,326
Receivables				
Accounts receivable (net)	18,978	-	-	18,978
Taxes-delinquent	28,450	-	-	28,450
Less: allowance for doubtful accounts	(19,053)	-	-	(19,053)
Interest and dividends	11,103	-	-	11,103
Due from other governments	48,349	6,561	3,477	58,387
Other assets	568	-	-	568
Total assets	\$ 2,225,264	\$ 197,981	\$ 124,957	\$ 2,548,202
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 20,297	\$ -	\$ 41,335	\$ 61,632
Due to other government	5,078	-	-	5,078
Deferred tax revenue	9,397	-	-	9,397
Other liabilities	36,191	-	-	36,191
Total liabilities	70,963	-	41,335	112,298
Fund balances				
Unreserved, designated	700,000	-	-	700,000
Unreserved, undesignated for				
General fund	1,454,301	-	-	1,454,301
Major Streets fund	-	197,981	-	197,981
Local Streets fund	-	-	83,622	83,622
Total fund balances	2,154,301	197,981	83,622	2,435,904
Total liabilities and fund balances	\$ 2,225,264	\$ 197,981	\$ 124,957	\$ 2,548,202

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

June 30, 2006

Fund balances - total governmental funds	\$ 2,435,904
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	1,459,841
---------------------	-----------

Deduct: accumulated depreciation	(562,852)
----------------------------------	-----------

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds.

Add: deferred revenues	<u>9,397</u>
------------------------	--------------

Net assets of governmental activities	<u><u>\$ 3,342,290</u></u>
---------------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Major Streets	Local Streets	Total Governmental Funds
Revenues				
Property taxes	\$ 1,278,073	\$ -	\$ -	\$ 1,278,073
Intergovernmental	98,152	39,736	45,253	183,141
Charges for services	35,890	-	-	35,890
Fines and forfeitures	7,137	-	-	7,137
Special assessments	242,785	-	-	242,785
Interest and other	85,374	4,949	3,300	93,623
Total revenues	1,747,411	44,685	48,553	1,840,649
Expenditures				
Current				
General government	456,963	-	-	456,963
Public safety	826,644	-	-	826,644
Public works		13,936	202,054	215,990
Recreation and culture	104,089	-	-	104,089
Total expenditures	1,387,696	13,936	202,054	1,603,686
Revenues over (under) expenditures	359,715	30,749	(153,501)	236,963
Other financing sources (uses)				
Transfers in	-	-	200,000	200,000
Transfers out	(200,000)	-	-	(200,000)
Total other financing sources (uses)	(200,000)	-	200,000	-
Net change in fund balances	159,715	30,749	46,499	236,963
Fund balances, beginning of year	1,994,586	167,232	37,123	2,198,941
Fund balances, end of year	\$ 2,154,301	\$ 197,981	\$ 83,622	\$ 2,435,904

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$ 236,963
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add: capital outlay	190,919
Deduct: depreciation expense	(80,016)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Add: net difference deferred revenue	<u>9,397</u>
Change in net assets of governmental activities	<u><u>\$ 357,263</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 1,279,529	\$ 1,279,529	\$ 1,278,073	\$ (1,456)
Intergovernmental revenue	63,577	63,577	98,152	34,575
Charges for services	13,000	13,000	35,890	22,890
Court fines	6,800	6,800	7,137	337
Special assessments	238,623	238,623	242,785	4,162
Interest and other	29,000	29,000	85,374	56,374
Total revenues	1,630,529	1,630,529	1,747,411	116,882
Expenditures				
General government				
Legislative	1,000	1,000	1,072	(72)
Administration	253,524	253,524	260,076	(6,552)
Elections	2,500	2,500	2,427	73
Attorney	24,000	24,000	15,848	8,152
Engineering fees	20,000	20,000	8,696	11,304
Street lighting and traffic lights	500	500	1,099	(599)
Rubbish collection	87,250	87,250	86,498	752
Planning and zoning	16,800	16,800	8,576	8,224
Insurance and bonds	14,500	14,500	13,416	1,084
Water authority	10,385	10,385	7,957	2,428
Employee benefits	132,476	132,476	51,298	81,178
Total general government	562,935	562,935	456,963	105,972
Public safety				
Police protection	627,349	627,349	577,364	49,985
Fire protection	283,684	283,684	249,280	34,404
Total public safety	911,033	911,033	826,644	84,389
Library	97,152	104,152	104,089	(63)
Total expenditures	1,571,120	1,578,120	1,387,696	190,298
Revenues over expenditures	59,409	52,409	359,715	(73,416)
Other financing (uses)				
Transfers out	(201,000)	(201,000)	(200,000)	(1,000)
Net change in fund balances	(141,591)	(148,591)	159,715	308,306
Fund balance, beginning of year	1,994,586	1,994,586	1,994,586	-
Fund balance, end of year	<u>\$ 1,852,995</u>	<u>\$ 1,845,995</u>	<u>\$ 2,154,301</u>	<u>\$ 308,306</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

MAJOR STREETS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 25,275	\$ 25,275	\$ 39,736	\$ 14,461
Interest and other	1,000	1,000	4,949	3,949
Total revenues	26,275	26,275	44,685	18,410
Expenditures				
Routine maintenance	1,900	1,900	4,072	(2,172)
Winter maintenance	15,950	15,950	9,864	6,086
Total expenditures	17,850	17,850	13,936	3,914
Revenues over expenditures	8,425	8,425	30,749	22,324
Other financing sources				
Transfers in	(7,925)	(8,425)	-	8,425
Net change in fund balances	500	-	30,749	30,749
Fund balance, beginning of year	167,232	167,232	167,232	-
Fund balance, end of year	\$ 167,732	\$ 167,232	\$ 197,981	\$ 30,749

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
LOCAL STREETS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental revenue	\$ 17,740	\$ 17,740	\$ 45,253	\$ 27,513
Interest and other	755	755	3,300	2,545
Total revenues	<u>18,495</u>	<u>18,495</u>	<u>48,553</u>	<u>30,058</u>
Expenditures				
Construction	180,000	180,000	190,919	(10,919)
Routine maintenance	36,790	36,790	4,559	32,231
Winter maintenance	10,130	10,130	6,576	3,554
Total expenditures	<u>226,920</u>	<u>226,920</u>	<u>202,054</u>	<u>24,866</u>
Revenues (under) expenditures	(208,425)	(208,425)	(153,501)	54,924
Other financing sources				
Transfers in	208,425	208,925	200,000	(8,925)
Net change in fund balances	-	500	46,499	45,999
Fund balance, beginning of year	37,123	37,123	37,123	-
Fund balance, end of year	<u>\$ 37,123</u>	<u>\$ 37,623</u>	<u>\$ 83,622</u>	<u>\$ 45,999</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2005

	Water Supply and Sewage Disposal System
Assets	
Current assets	
Due from other government	<u>\$ 87,580</u>
Noncurrent assets	
Capital assets	2,244,069
Less accumulated depreciation	<u>(1,683,051)</u>
Total noncurrent assets	<u>561,018</u>
Total assets	<u>648,598</u>
Net assets	
Investment in capital assets	561,018
Unrestricted	<u>87,580</u>
Total net assets	<u>\$ 648,598</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

PROPRIETARY FUNDS

For the Year Ended September 30, 2005

	Water Supply and Sewage Disposal System
Operating revenues	
Charges for services	\$ 479,408
Operating expenses	
General and administrative	40,593
Cost of sales and services	358,216
Operation and maintenance	45,639
Depreciation	56,102
Total operating expenses	500,550
Operating income (loss)	(21,142)
Non-operating revenues (expenses)	
Interest income	7,361
Interest expense	(5,658)
Other	(9,466)
Total non-operating revenues (expenses)	(7,763)
Change in net assets	(28,905)
Net assets, beginning of year	677,503
Net assets, end of year	\$ 648,598

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended September 30, 2005

	<u>Water Supply and Sewage Disposal System</u>
Cash flows from operating activities	
Cash received from customers and others	\$ 452,212
Cash payments to suppliers for goods and services	<u>(444,448)</u>
Net cash provided (used) by operating activities	<u>7,764</u>
Cash flows from investing activities	
Transfer to Oakland County operation reserves	(8,966)
Transfer to Oakland County special reserves	(500)
Investment income	7,361
Interest payments	<u>(5,659)</u>
Net cash (used) by investing activities	<u>(7,764)</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	
Operating income (loss)	\$ (21,142)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	56,102
Changes in assets and liabilities	
Receivables	<u>(27,196)</u>
Net cash provided (used) by operating activities	<u><u>\$ 7,764</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Bingham Farms, Michigan (the “Village” or “government”) is a municipal corporation governed by an elected president and six trustees. There are no component units to be included in these financial statements as defined by generally accepted accounting principles.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

Government-wide financial statements. The statements of net assets and activities report information on all of the non-fiduciary activities of the Village. For the most part, eliminations have been made to remove the effect of double-counting interfund activities. These statements distinguish between the Village’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which direct expenses are offset by program revenues for the business-type activities of the Village and for each function of the Village’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (1) fees, fines and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

Fund financial statements. The fund financial statements report in separate statements, information for governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and proprietary fund financial statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the Village’s enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services,

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, franchise taxes, intergovernmental revenues, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The Village reports the following major governmental funds:

General fund. This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major streets fund. This fund accounts for activities, maintenance and capital improvements of the Village's major streets. This fund does not qualify as a major fund per Governmental Accounting Standards Board statement 34, however, it has been elected as a major fund for comparative purposes.

Local streets fund. This fund accounts for activities, maintenance and capital improvements of the Village's local streets.

The Village reports the following major proprietary fund:

Water supply and sewage disposal system This fund accounts for the activities of the Village's water distribution, water treatment, sewage disposal and sewage treatment systems. The Village has entered into contracts with the Oakland County Department of Public Works for the operation and maintenance of water and sewage disposal systems within the Village limits. Under the terms of these contracts, the Oakland County Department of Public Works

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

is responsible for system maintenance as well as meter readings, billings to customers and collections. Under Michigan Committee on Governmental Accounting and Auditing Statement 10 (MCGAA), the local unit's Enterprise Fund would record the operations of the system. The latest audited information available from Oakland County is as of and for the year ended September 30, 2005. Accordingly, the Village has recorded this activity as adjusted for depreciation in the Village's Water/Sewer Fund.

Both the government-wide and proprietary fund financial statements of the Village follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted net assets are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources, as they are needed

D. Assets, Liabilities and Equity

Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Receivables and payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

All outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$50,000 for infrastructure and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Public domain infrastructure	10-20
Water and wastewater system infrastructure	10-40
Office equipment	3-10

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Village had no long-term debt or obligations outstanding as of June 30, 2006.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end, encumbrances are not included as expenditures. The legal level of budgetary control is at the functional level.

The Village Council requires the Village Treasurer to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in May. The Village Treasurer is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the Village defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. Village Council approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the Village Council in the form of budget amendment resolutions, the total of which was not significant in relation to the original budget appropriation valuations. A comparison of actual results of operations to the general fund and special revenue fund budgets as adopted and amended by the Village Council is included in the basic financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2006, the Village had not exceeded final budgeted expenditures.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Summary of Deposit and Investment Balances. Following is a reconciliation of deposit and investment balances as of June 30, 2006:

<u>Deposits and Investments</u>	<u>Deposits</u>	<u>Other</u>	<u>Total</u>
Statement of Net Assets			
Cash and Cash Equivalent	\$ 1,162,276	\$ 167	\$ 1,162,443
Investment - CD's	1,287,326	-	1,287,326
	<u>\$ 2,449,602</u>	<u>\$ 167</u>	<u>\$ 2,449,769</u>

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the above list of authorized investments. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. In compliance with State law, the Village's investments policy limits investments to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not have specific limits in excess of state law on investment credit risk.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. The Village had on investments at year end.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end \$853,075 of the Village's bank balance of \$2,532,053 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits at all times. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk.

B. Receivables

Receivables in the governmental activities are forty-one percent accounts receivables, twenty-seven percent taxes and thirty-two percent accrued interest. Business-type activities receivables are one hundred percent due from other governments.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Personal property taxes not yet received (general fund)	<u>\$ 9,397</u>	<u>\$ -</u>	<u>\$ 9,397</u>

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

C. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Construction in process	\$ 260,613	\$ 190,919	\$ -	\$ (239,182)	\$ 212,350
Capital assets, being depreciated:					
Office equipment	6,527	-	-	-	6,527
Infrastructure – roads	899,490	-	-	239,182	1,138,672
Infrastructure – bridges	102,292	-	-	-	102,292
Total capital assets being depreciated	1,008,309	-	-	239,182	1,247,491
Less accumulated depreciation for:					
Office equipment	(5,330)	(1,197)	-	-	(6,527)
Infrastructure – roads	(381,593)	(73,705)	-	-	(455,298)
Infrastructure – bridges	(95,913)	(5,114)	-	-	(101,027)
Total accumulated depreciation	(482,836)	(80,016)	-	-	(562,852)
Total capital assets being depreciated, net	525,473	(80,016)	-	239,182	684,639
Governmental activities capital assets, net	\$ 786,086	\$ 110,903	\$ -	\$ -	\$ 896,989

Capital assets activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, being depreciated:					
Infrastructure – Water and Sewer System	\$ 2,244,069	\$ -	\$ -	\$ -	\$ 2,244,069
Less accumulated depreciation for:					
Infrastructure – Water and Sewer System	(1,626,949)	(56,102)	-	-	1,683,051
Business-type activities capital assets, net	\$ 617,120	\$ (56,102)	\$ -	\$ -	\$ 561,018

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 1,197
Public works	<u>78,819</u>
Total depreciation expense - governmental activities	<u>\$ 80,016</u>
Business-type activities	
Water and sewer	<u>\$ 56,102</u>

D. Operating Lease

The Village conducts its operations from leased premises. The lease is effective May 2001 through April 2007. The following is a schedule of annual future lease payments for the term of the contract:

Year Ended	Rent
June 30,	
<u>2007</u>	<u>\$ 34,008</u>

Rental expense totaled \$38,350 for the year ended June 30, 2006.

E. Interfund Receivables, Payables and Transfers

At June 30, 2006, there were no interfund payables or receivables.

For the year then ended, interfund transfers consisted of the following:

	<u>Transfer In</u>
	Local
<u>Transfer out</u>	<u>Streets</u>
General fund	<u>\$ 200,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

F. Segment Information -- Enterprise Funds

The Water Supply and Sewer Disposal System, is an individual fund that accounts entirely for the government's water and wastewater activities. This fund is a segment and is reported as a major fund in the fund financial statements; therefore, segment disclosures herein are not required.

G. Reserves, Designations and Restrictions of Fund Balance and Net Assets

Reserves Reserved fund balances are legal restrictions on fund balance imposed by sources outside the Village, which typically involve donor restrictions for specific purposes on Village financial resource.

Designations Designated fund balances are restrictions imposed by the Village on the use of fund balance for specific purposes.

Restricted Net Assets Restricted net assets on the Statement of Net Assets are similar to reserved fund balance in that a portion of net assets are legally restricted for a specific purpose as imposed by sources outside of the Village.

The schedule of reserved, designated and restricted fund balance and net assets is as follows:

	<u>Designated Fund Balance</u>
Governmental funds:	
Road improvements	\$ 500,000
Sewer improvements	200,000
Total	<u>\$ 700,000</u>

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries and illnesses of employees; and natural disasters. The Village participates in the Michigan Municipal Risk Management Authority (MMRMA), a self-insured public-entity risk pool organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships and special purpose governments. Should actual losses among participants be greater than anticipated, the Village will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, there will be a reduction in the Village's future contribution to the pool. The pool has obtained specific and aggregate excess insurance to a maximum of \$15,000,000 per occurrence in excess of the pool's loss fund. Settled claims have not exceeded this commercial coverage in any of the past three years.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest if paid in full by August 31st. As of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Oakland County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the Village for the 2005 levy was \$187,439,930. The government's general operating tax rate for fiscal 2005-06 was 6.8 mills with an additional 2.58 mills for the police special assessment district, and 0.72 mills for the Woodlynne Pump special assessment district.

Property taxes are recognized in the fiscal year in which they are levied to the extent that they are measurable and available.

Special assessments in governmental funds are recorded as revenues when due, not when levied.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

D. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal government's to establish fees that bear a reasonable relationship to the cost of operating their building departments. The Village does not operate a building department for the purposes of charging for and/or issuing permits related to construction projects. The Village of Southfield, Michigan charges and issues all permits relating to construction in the Village.

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SUPPLEMENTARY INFORMATION



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 31, 2006

To the President and Village Council
Village of Bingham Farms
Oakland County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the *Village of Bingham Farms, Michigan* as of and for the year ended June 30, 2006, which collectively comprise the *Village of Bingham Farms, Michigan's* basic financial statements and have issued our report thereon dated October 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Village of Bingham Farms, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Mayor and Village Commission, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehman Johnson".



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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October 31, 2006

To the Village President and Council
Village of Bingham Farms, Michigan

In planning and performing our audit of the general purpose financial statements of the ***Village of Bingham Farms, Michigan***, (the "Village") for the year ended June 30, 2006, we considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 31, 2006, on the general purpose financial statements of the ***Village of Bingham Farms***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the Village in implementing the recommendations.

We would like to thank the staff and management of the ***Village of Bingham Farms*** for their assistance and cooperation in completing the audit.

Rehmann Robson

SEPARATION OF DUTIES

During our audit we became aware of a lack of segregation of duties within the accounting and administrative departments due to the relatively small number of employees performing the financial and administrative functions.

Recommendation

Separation of duties is not always necessary or practical in certain situations, however, good internal controls can help mitigate the risk of fraud occurring in a low personnel environment. We recommend that the Village maintain a cash log to record all moneys received during the day. When the money is deposited into the bank, a daily reconciliation should be performed to attest that the bank deposit slip matches the cash log and the related journal entry made to the system. We believe that this internal control will help reduce the Village's risk of misappropriation.